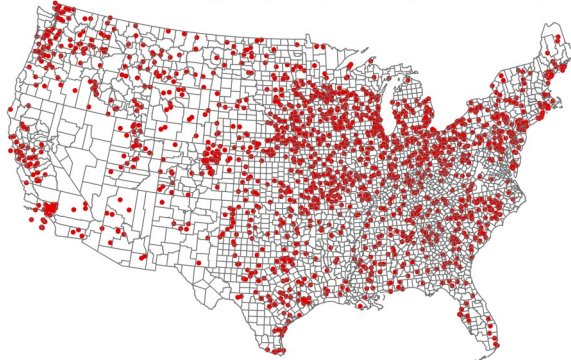


## Agricultural Processing: Animal (non-poultry) Processing

There are nearly 1,500 animal processing (non-poultry) firms, ranging from small to the very large, of which only 3.9% (59) are located in Wisconsin. Animal processing firms tend to scatter throughout the U.S., but there are geographic clusters or “hot-shots” around southern New York, northern Ohio, parts of central California and the Pacific coastal regions of Washington and Oregon, Denver and the immediate northern area, Kansas City, the tri-state area where Iowa, Nebraska and South Dakota come together and a region from Chicago to the Twin Cities in Minnesota. This latter spatial cluster or “hot-shot” includes significant portions of Wisconsin. This raises the question if animal processing for food could be a viable cluster for Wisconsin.

Animal (except poultry) Slaughtering, Rendering, and Processing Firms



Indeed, animal (non-poultry) processing employs nearly 13,800 people in Wisconsin, paying \$786.5 million in labor income (wages, salaries and proprietor income) with sales of almost \$4.7 billion. Given the dairy industry and the steady supply of cull cows the promotion of animal processing as part of an integrated dairy cluster makes intuitive sense. Indeed, the integration of dairy, cheese production and animal processing is an important characteristic of a viable cluster.

In a 2009 study of the Wisconsin agricultural economy Deller and Williams documented that the food processing industry generates about 252,000 jobs and \$15.5 billion in income. This represents just over seven percent of all employment and just less than seven percent of all income in Wisconsin. In addition, the economic activity associated with food processing generated just over \$1 billion in state and local government revenues. This series of factsheets is aimed at helping better understand the food processing industry in Wisconsin and identify policies that may enhance the competitiveness of the industry.

Agricultural process manufacturing, such as cheese making, vegetable canning and freezing and breweries as well as wineries, remains an important part of the Wisconsin economy. Equally important, the products that are associated with food processing, in particular cheese and beer, are an integral part of the Wisconsinites self-identity. Curly Lambeau, one of the founders of the Green Bay Packers, used funding from his employer, the Indian Packing Company, a meat canning processor, to fund the early operations of the team. The Milwaukee Brewers are named in recognition of the city and state’s long tradition in making beer.

Too often economic clusters are viewed as a geographic concentration of firms within a common industry. This might be considered necessary but it is far from sufficient. Viable economic clusters require vibrant competition which fosters innovation and in turn drives growth and development but at the same time vertical integration. One way to think about this vertical integration is to examine the supply chain of potential economic clusters. The goal of policy is to maximize the vertical integration of the input supply chain through import substitution.

Firms have a choice when purchasing the inputs required for production: they can use regional vendors or they can import the good or service into the region. There could be several reasons why firms import input supplies. One is that the good or service is not available in the regional market. This could be referred to as a “gap” in the market. The policy question is if that “gap” is of sufficient scale to consider the promotion of new firms to fill that gap or encouraging existing firms to expand into the market. Alternatively, regional suppliers may be available but firms do not use those regional firms. This could be referred to as a “disconnect”. Two possible reasons for this “disconnect”: (1) there is a lack of knowledge or information of regional suppliers or (2) regional suppliers are not sufficient in terms of prices or specific product lines. For the latter, firms making input supply purchase decisions are aware of regional suppliers but elect not to use them. Within agricultural processing many firms need to diversify input supply streams in order to minimize the risk of seasonality in production or poor growing conditions. The goal of policy is to minimize imports and maximize the use of regional suppliers.

For animal slaughtering, rendering and processing, 63% (\$14 million) worth of plastics and 56% (\$14.5 million) in seasonings and dressings are imported. Clearly there are Wisconsin based suppliers and can these input supply chains be tightened. Given the integration of dairy, cheese processing and animal processing it makes intuitive sense to explore ways to build on this cluster by tighten input supply chains through import substitution.

Inputs to Animal (except poultry) Slaughtering, Rendering, and Processing (\$000)

	Gross Inputs (\$)	Share of Inputs (%)	Regional Inputs (\$)	Share Imported (%)	Imports (\$)
Total Commodity Demand	4,029,633		1,998,425	50.4	2,031,209
Cattle from ranches and farms	1,975,537	49.0	866,511	56.1	1,109,026
Animal products, except cattle, poultry and eggs	765,838	19.0	306,678	60.0	459,160
Employee Compensation	753,029	18.7	753,029	n.a.	n.a.
Processed animal (except poultry) meat and rendered byproducts	571,074	14.2	314,277	45.0	256,796
Business Services	144,027	3.6	96,747	32.8	47,280
Transport	91,260	2.3	74,656	18.2	16,604
Wholesale trade distribution services	89,721	2.2	70,715	21.2	19,005
Management of companies and enterprises	84,264	2.1	71,885	14.7	12,379
Processed poultry meat products	58,039	1.4	34,239	41.0	23,800
Electricity and fossil fuels	51,115	1.3	35,934	29.7	15,181
Real Estate	50,333	1.2	42,043	16.5	8,290
Paper Products	34,544	0.9	25,196	27.1	9,348
Seasonings and dressings	26,056	0.6	11,567	55.6	14,489
Plastics	22,192	0.6	8,175	63.2	14,017
Machineary	17,710	0.4	12,219	31.0	5,491
Other animal food	13,805	0.3	11,788	14.6	2,017
Other	13,486	0.3	6,846	49.2	6,639
Telecommunications	11,241	0.3	7,686	31.6	3,555
Fish	7,012	0.2	79	98.9	6,932
Other fabricated metals	2,380	0.1	1,182	50.4	1,199

References: Deller, Steven C. and Williams, David. 2009. “The Contribution of Agriculture to the Wisconsin Economy.” Department of Agricultural and Applied Economics Staff Paper No. 541. University of Wisconsin-Madison/Extension. (August). [www.aae.wisc.edu/pubs/sps/pdf/](http://www.aae.wisc.edu/pubs/sps/pdf/)